



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
RENSSELAER POLYTECHNIC INSTITUTE**

**AS OF December 31, 2021**

**EXAMINER: Hasan Ahmed**

**DATE OF REPORT: January 20, 2023**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

RENSSELAER POLYTECHNIC INSTITUTE

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HASAN AHMED

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

April 4, 2023

Honorable Adrienne A. Harris  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32387, dated May 27th, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Rensselaer Polytechnic Institute. The Fund's home office is located at 110 8<sup>th</sup> Street Troy Bldg. 5<sup>th</sup> Floor, Troy, NY 12180.

The report indicating the results of this examination is respectfully submitted.

## 1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E of this report)

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A of this report)

The examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' (the "Department" or "DFS") examination and assessment of the Rensselaer Polytechnic Institute Gift Annuity Fund (the "Fund") through which Rensselaer Polytechnic Institute (the "University") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the University or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2021 to determine whether the Fund's filed 2021 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the violation and recommendations contained in the prior report on examination. The results of such review are contained in item 7 of this report.

### 3. DESCRIPTION OF FUND

#### A. History

The Rensselaer Polytechnic Institute is organized to provide an education which recognizes the individual potential of each student, drawing upon the heritage of the past to meet the needs of the present and to prepare for the future. The University established the Fund to issue gift annuity agreements in return for gifts from donors in 1998. The Superintendent of Insurance granted to the University a Charitable Annuity Society special permit on May 31, 2007.

#### B. Structure

The Fund is overseen by the University's Board of Trustees. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the University. The University is responsible for determination of the Fund's investment allocation.

#### C. Assets under the Board of Trustees

As of the June 30, 2021 audited financial statement, the University's Board of Trustees oversaw an endowment comprising \$1.07 billion in total assets. The Fund, as of December 31, 2021, held total admitted assets of \$6,673,144.

#### D. Third-Party Payment Service Provider

TIAA-CREF Trust Company FSB ("TIAA-CREF") is the custodian of the Fund's assets and is responsible for management of investments on behalf of the Fund. The Fund has a service agreement with Kaspick & Company, LLC ("Kaspick") for certain administrative services. Those services include: record keeping, preparation of the Fund's 1099R Statements, and disbursement of annuitants' checks.

#### E. Oversight Structure

Section 312(b) of the New York Insurance Law states, in part:

"(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report . . ."

The examiner's review revealed that the Fund failed to obtain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.



#### 4. INVESTMENT REVIEW

##### A. Investment Strategy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

TIAA-CREF is the Fund’s investment adviser and custodian.

The University prepared and provided a custom-tailored investment strategy statement (“ISS”) for the Fund. The Fund adopted that form as its ISS.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

## 5. ASSETS AND LIABILITIES SUMMARY

The following summary table indicates the growth (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	December 31, <u>2016</u>	December 31, <u>2021</u>	<u>Increase</u>
Admitted assets	\$ <u>6,251,338</u>	\$ <u>6,673,144</u>	\$ <u>421,806</u>
Liabilities	\$ <u>4,147,156</u>	\$ <u>3,412,473</u>	\$ <u>(734,683)</u>
Minimum required fund balance	\$ 414,716	\$ 341,247	\$ (73,469)
Excess fund balance (surplus)	<u>1,689,466</u>	<u>2,919,423</u>	<u>1,229,957</u>
Total annuity fund balance	\$ <u>2,104,182</u>	\$ <u>3,260,670</u>	\$ <u>1,156,488</u>
Total liabilities and annuity fund balance	\$ <u>6,251,338</u>	\$ <u>6,673,144</u>	\$ <u>421,806</u>

The increase in assets and annuity fund balance is due to new gifts added to the Fund in the amount of \$1,811,098 during the examination period as well as market gains. Liabilities decreased as annuities went from 131 with annual payment amounts of \$485,159 as of December 31, 2016 to a total of 101 with annual payment amounts of \$474,339 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested in equity securities (98.73%), and mutual funds (1.27%).

## 6. TREATMENT OF ANNUITANTS

The examiner reviewed a sample of annuity files to determine whether the annuitants were treated fairly and in accordance with the provisions of the annuity agreements. The examination also consisted of a review of the various controls involved, a check of the accuracy of the computations and the tracing of accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.</p> <p>The Department no longer provides specific guidance on diversification.</p>
B	<p>The examiner recommends that the Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities.</p> <p>The Fund contracted with a trust company to serve as the Fund's custodian for the Fund's securities. The Fund transferred securities held at Charles Schwab to SEI Private Trust Company (TIAA, FSB) in December 2015.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	6

Respectfully submitted,

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/s/  
Hasan Ahmed  
Senior Insurance Examiner

STATE OF NEW YORK     )  
  )SS:  
COUNTY OF NEW YORK    )

HASAN AHMED, being duly sworn, deposes and says that the foregoing report, subscribed by him is true to the best of his knowledge and belief.

\_\_\_\_\_  
/s/  
Hasan Ahmed

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

*APPOINTMENT NO. 32387*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, ADRIENNE A. HARRIS, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***HASAN AHMED***

*as a proper person to examine the affairs of the*

***SEGREGATED GIFT ANNUITY FUND OF THE  
RENSSELAER POLYTECHNIC INSTITUTE***

*and to make a report to me in writing of the condition of said*

***FUND***

*with such other information as he shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York*

*this 27th day of May, 2022*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*



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***MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU***

